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1 UNITED STATES DISTRICT COURT  
2 SOUTHERN DISTRICT OF NEW YORK

3 LOUIS PSIHOYOS,  
4 JAMES P. REED,

5 Plaintiffs,

6 v.

10 CV 5912 (JPO)

7 PEARSON EDUCATION INC.,  
8 R.R. DONNELLEY & SONS COMPANY  
9 COURIER CORPORATION  
10 FAILSAFE MEDIA COMPANY  
11 BRADFORD & BIGELOW, INC.  
12 LEHIGH PHOENIX,

13 Defendants.

14 New York, N.Y.  
15 April 11, 2012  
16 3:05 p.m.

17 Before:

18 HON. J. PAUL OETKEN

19 District Judge

20 APPEARANCES

21 NELSON & MCCULLOCH LLP  
22 Attorneys for Plaintiffs  
23 BY: DANIEL A. NELSON  
24 KEVIN PATRICK MCCULLOCH

25 MORGAN, LEWIS & BOCKIUS LLP  
Attorney for Defendants  
BY: EZRA DODD CHURCH

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(In open court; case called)

THE DEPUTY CLERK: Your Honor, this is in the matter of Louis Psihoyos and James Reed v. Pearson Education, Inc., et al. This is docket number 10 CV 5912.

Again, can I have all counsel state their appearance, please, for the record.

MR. McCULLOCH: Kevin McCulloch, Nelson & McCulloch, for plaintiff.

MR. NELSON: Dan Nelson, Nelson & McCulloch, for plaintiff.

MR. CHURCH: Ezra Church for Pearson and the printer defendants.

THE COURT: Good afternoon everyone.

I have the parties' letters. And let's tackle the easy one first, which is the issue of whether there's any express licenses as to two of the pictures, Tyrannosaurus Being Cleaned, and Storm Researchers is the second one.

As to those two, there is a -- some suggestion in the papers that there is an express license as to those perhaps relating to the U.K. affiliate of Pearson.

Mr. Church, is there anymore information on that, in terms of what you've located?

MR. CHURCH: Your Honor, we don't have anymore information on that. I do think that -- what I can say is that Pearson U.K. is a separate company. They do their own

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1 permissioning. We do know that. And I think that if we are  
2 able to confirm that these express licenses that were  
3 referenced in the royalty statements were, in fact, from  
4 Pearson U.K., I think there's probably no issue about which we  
5 would need additional discovery because I think it would be  
6 clear then that discovery wouldn't be relevant for this case,  
7 it wouldn't be a defense for Pearson.

8 I think that we can dispose of that pretty quickly  
9 just doing a reasonable search for documents within Pearson  
10 Education, Inc.'s custody and control and then probably could  
11 just stipulate with the plaintiffs that there is no need to  
12 pursue discovery as to Pearson U.K.

13 THE COURT: Okay.

14 MR. McCULLOCH: Your Honor, we have absolutely  
15 disagree.

16 If there is an express license to Pearson U.K.,  
17 Pearson Education, Inc., can disavow that as a defense in this  
18 case. Fine. As an express license defense.

19 However, if there is an express license to Pearson  
20 U.K. and Pearson U.K. provided those images to Pearson  
21 Education, Inc.; that also, even if there is no express license  
22 to Pearson Education, Inc. and Pearson Education, Inc. agrees  
23 that the express license to Pearson U.K. doesn't provide a  
24 defense here, it does provide affirmative evidence that there  
25 was no meeting of the minds with Getty Images.

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1           In addition, your Honor, Pearson Education U.K. is a  
2       separate entity in a foreign country. Getty Images provided  
3       the photographs to Pearson Education U.K. through its foreign  
4       delegate in Great Britain. That's what's apparent on the  
5       royalty statements. GBR, Great Britain, is the sales  
6       territory. GBR is also the distribution territory.

7           If Pearson U.K. provided the images to Pearson  
8       Education, Inc. that is a separate violation of copyright law,  
9       17 U.S.C. 602, the violation of importation of copyrighted  
10      material.

11          Pearson Education, Inc. has been a plaintiff in dozens  
12      of actions to stop the importation of its copyrighted materials  
13      from foreign sales at outlets to domestic sales outlets.

14          We absolutely, even if there is an express license,  
15      need discovery as to the practice of sharing images of --  
16      between foreign entities and domestic entities. It will dispel  
17      the notion that there is a meeting of the minds with Getty  
18      Images, between Pearson Education and Getty Images, and it also  
19      will give rise to a separate claim for violations of 602.

20          We are absolutely certain that this practice goes on.  
21      We have other clients who have images that were purchased for  
22      an express license by Pearson Education, Inc. and those images  
23      were published by Pearson Canada in publications for years  
24      without their knowledge.

25          That sort of conduct, exportation to foreign entities,

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1 is expressly set forth as a separate claim under 602(a)(1) and  
2 (a)(2) and it's very clear that that gives rise to a separate  
3 claim under 106 and 501, your Honor.

4 THE COURT: Is that within the scope of the complaint  
5 in this case?

6 MR. McCULLOCH: The complaint is copyright  
7 infringement related to these images.

8 THE COURT: And this is one of the images that you're  
9 claiming?

10 MR. McCULLOCH: This is one of the images that we're  
11 claiming.

12 And, your Honor, if it happens to give rise to a new  
13 claim that's a separate issue, it certainly will be affirmative  
14 evidence dispelling the notion that there's a meeting of the  
15 minds between Getty Images and Pearson Education, Inc., a U.S.  
16 corporation. If the images were provided under an express  
17 license, under a different licensing term two years earlier to  
18 a foreign entity and Pearson U.K. e-mailed them or shared  
19 systems or uploaded them to a system in the United States, that  
20 circuitous route dispels the notion that there is some course  
21 of dealing that let them use images and call Getty later.

22 That is something that we need discovery on because  
23 it -- even if it gives rise to separate and additional claims  
24 that aren't expressly pled, it certainly relates to the  
25 defenses and the claims on the 501 claims that are at issue in

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1 this case.

2 THE COURT: Do you want to respond to that?

3 MR. CHURCH: Well it's somewhat a new theory to me.  
4 And, frankly, it sounds like a fishing expedition.

5 I don't know -- it's a claim that's not alleged in the  
6 complaint. Frankly, I thought we had nailed down the fact that  
7 these images were given to Pearson from Getty. And if there's  
8 some additional discovery that plaintiffs think they need on  
9 that issue, we can certainly do that for Pearson Education,  
10 Inc. But I don't see any reason to reopen discovery just on  
11 the chance that somehow there's this additional violation that  
12 plaintiffs think might exist.

13 MR. McCULLOCH: Your Honor, if I may?

14 THE COURT: Yes.

15 MR. McCULLOCH: I think your Honor's order made clear  
16 how knowledgeable you are of the extensive record here.

17 How Pearson obtained these images has not been  
18 resolved. We have asked for -- every time Getty Images sends  
19 an image to Pearson, it does it one of two ways: A direct  
20 upload to PAL under the bulk upload agreement; or on one-off  
21 requests. We asked for all transmission records or screen  
22 shots from PAL. There is one record in the Pearson asset  
23 library and one transmission record. We have no idea how the  
24 other two images ended up in the hands of Pearson Education,  
25 Inc. They very well could have just downloaded them off the

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1 internet. We have no idea.

2 The manner in which Pearson obtained the image -- the  
3 images in this case is a central piece to their defense. They  
4 can't possibly claim there was a meeting of the minds with  
5 Getty Images if they didn't obtain the images from Getty  
6 Images. They obtained from Pearson U.K. or downloaded them off  
7 the internet or some other way, found them in a drawer.

8 The motion that it's a fishing expedition for new  
9 claims is false. We brought these issues to their attention to  
10 try to ask them to withdraw what seemed to be a blatantly false  
11 claim -- defense in this action. They then submitted it to  
12 your Honor in -- to the court in support of an express license  
13 defense.

14 They have now put that issue in the case. These are  
15 now central questions about how they got the images and whether  
16 or not they relate to their defenses. We can't ignore the fact  
17 that that's at issue now.

18 THE COURT: I think that's right. I think the method  
19 by which Pearson, the defendant, obtained the images is  
20 relevant. And I think it's -- they do have to produce the  
21 documents relating to that.

22 As a general matter, on the primary issue I do think  
23 that a broader scope of additional discovery is required under  
24 my decision and under -- I mean this is the result of asserting  
25 and prevailing on summary judgment on the defense -- a defense

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1 like course of dealing, you know, implied license by course of  
2 dealing. You are going to have to produce -- defendant is  
3 going to have to produce a larger group of documents, including  
4 communications back and forth, really any communications back  
5 and forth with Getty or Science Faction for the relevant time  
6 periods that have any relevance to the dating issue, that is  
7 the retroactive licensing or retroactive invoicing of not just  
8 the images at issue but images that could establish a course of  
9 conduct, which I think could be not only the plaintiffs' images  
10 but other images that are part of that course of conduct with  
11 the agents of the plaintiffs; that is Science Faction and  
12 Getty.

13 So I do think you're going to have to do a broader  
14 communications search. The description of defendants' position  
15 as to what should be produced on pages five and six of the  
16 letter, the parties' letter, describes permission files for all  
17 publications which include plaintiffs' images licensed by  
18 Pearson through Getty or Science Faction; and (b), a report  
19 from Pearson's Global Rights Data Warehouse reflecting the  
20 bound book date for the Pearson Publications in which  
21 plaintiffs' images were used.

22 And then there's a reference to targeted e-discovery  
23 concerning communications with plaintiffs, Getty, and Science  
24 Faction concerning the practice of backdating or retroactive or  
25 late permissions.



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1 I certainly think that is the core of what is going to  
2 be relevant is any references to the retroactive invoicing or  
3 retroactive permissioning.

4 But given that the defense is a course of conduct  
5 defense and you've succeeded in persuading me that there's a  
6 genuine dispute of fact on that course of conduct defense,  
7 either in the guise of implied license or estoppel, I do think  
8 you're going to have to produce documents -- any documents that  
9 would go to not just discussing the retroactive permissioning  
10 but documents that evidence retroactive permissioning or not;  
11 that is, you can't pick and choose the ones, you know, that you  
12 think show retroactive permissioning but not produce the ones  
13 that don't show it. You really have to produce both so that  
14 the jury can evaluate whether there was enough of the  
15 retroactive practice to give rise to an actual course of  
16 conduct that establishes the defense. Beyond that, I don't  
17 know exactly what categories of documents you would have and  
18 how long it would take you to produce them.

19 But I do think -- do you have e-mails for the relevant  
20 period of time? Mr. Church?

21 Was most of this done by e-mail?

22 MR. CHURCH: Pearson does -- did communicate quite a  
23 bit with the agents via e-mail so we -- as we state in the  
24 letter, we're certainly willing to work with plaintiffs on any  
25 discovery plan that tries to get at the issues that your Honor

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1 set out in the order.

2 You know, our reaction was, to the plaintiffs' request  
3 for discovery, in their own words, about the totality of the  
4 deal as between Pearson and the agents. They wanted all  
5 communication -- their letter asks for all communications  
6 between Pearson and Getty and Science Faction. And they went  
7 on with a long list of items that simply, you know, beyond what  
8 we think is necessary under the Court's order and would be just  
9 incredibly burdensome for Pearson to produce.

10 So, I guess to get back to your Honor's question, we  
11 could do -- we could identify a group of custodians who had  
12 communications with Getty and Science Faction. I think the  
13 parties already have most of those names. And we could  
14 certainly work on any discovery plan to get the communications  
15 specifically about retroactive licensing, late permissionings  
16 and backdating.

17 Your Honor also mentioned the concern about something  
18 that doesn't just focus on the retroactive licensing but shows  
19 where it wasn't taking place.

20 My suggestion there would be that -- one of the things  
21 that Pearson does have the ability to do is to produce  
22 fairly -- in a fairly efficient way, invoices. And so what we  
23 could do is, while not agreeing to give all invoices for the  
24 last ten years between Pearson and Getty and Pearson and  
25 Science Faction, that would be frankly hundreds of thousands,

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1 we could certainly do a sample for a year or six months that  
2 the plaintiff identified, if the plaintiffs' counsel would  
3 identify it. We could give them those invoices so they could  
4 look and say here's, you know, here's a certain percentage  
5 where there was backdating, here's a certain percentage where  
6 there wasn't. So I think that's something we could certainly  
7 do that would not be overly burdensome, that would kind of get  
8 at this concern.

9 THE COURT: Mr. McCulloch, do you want to address it.

10 MR. McCULLOCH: Yes, your Honor.

11 Mr. Church claims that there are hundreds of thousands  
12 of just invoices, not even e-mails, and that's obviously false.

13 Science Faction has been in business since late 2005.  
14 There are, in our internal audit, less than two hundred total  
15 licenses that Science Faction has granted. And we think the  
16 number is actually about 110 to Pearson. Pearson has records  
17 of all of those. Pearson can produce all of those licenses and  
18 it can produce a spreadsheet for all the books identified in  
19 those licenses through the Global Rights Database Warehouse in  
20 a matter of weeks.

21 So I don't see any reason why we would do any sampling  
22 in terms of the Science Faction licenses given that the total  
23 amount of paper that would change hands is going to be about  
24 two hundred pages and it can happen in a week or two.

25 As for Getty Images, as your Honor pointed out, the

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1 concern isn't just invoices that reflect late permissioning.  
2 It is invoices that don't reflect that. And we need to be able  
3 to establish whether or not the instances in which it occurred  
4 are outliers or whether or not they reflect a true course of  
5 dealing. And we need to get at the permission requests  
6 themselves, the e-mails themselves. Because instances where  
7 Getty backdates a license or grants a license after the fact,  
8 we need to know why. We need to know what was material -- what  
9 was the material representation by Pearson, if any. Was Getty  
10 knowingly backdating a license or was it being duped in  
11 thinking it was a forward license? We need to know that.

12 Now in terms of sampling, I think we can come to some  
13 agreement that Getty -- excuse me, Pearson should produce a  
14 spreadsheet that GRDW report for all Mr. Psihoyos' and all  
15 Mr. Reed's images that it obtained from Getty, how it obtained  
16 those images and where it used them. From that I think we can  
17 identify an appropriate time period and then we can discuss  
18 whether or not sampling is required.

19 We would disagree. I don't think we're talking about  
20 hundreds of thousands of invoices.

21 Pearson doesn't have that many books. We're in the  
22 midst of a class action in the Wu case dealing with print  
23 overruns and they've identified about twelve hundred unique  
24 title that were published by Pearson between 2000 and 2011.

25 If there's twelve hundred titles there can't be

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1 hundreds of thousands of invoices. That's absurd. Getty  
2 Images and Pearson work on a very, very efficient basis.  
3 There's a permission invoice request that's submitted and an  
4 invoice that's submitted in response and it includes all of the  
5 licenses on one single invoice.

6 So let's say there's 50 books produced in 2010.  
7 There's probably only 50 invoices requesting 50 invoices.  
8 There's not hundreds of invoices simply because there's  
9 hundreds of photographers involved.

10 So I think Mr. Church's representation is a little  
11 hyperbole. And we certainly disagree that any sampling would  
12 be necessary or appropriate for Science Faction. And that --  
13 we don't see it as appropriate for Getty Images just given the  
14 limited nature of the books we're talking about here,  
15 especially after we get the GRDW report. We certainly should  
16 be able to look at all of those invoices and all of those  
17 communications when they deal with these specific pictures and  
18 these specific plaintiffs in specific books.

19 As for the issue that Mr. Church said that we have  
20 identified the appropriate custodians, we haven't in that case.  
21 So that I would disagree with. But Pearson doesn't do all of  
22 its licensing in-house. Pearson outsourced, as we explained in  
23 our follow-up letter, the invoicing for these particular  
24 publications to Datamatics. We think that communications back  
25 and forth, all the status memos, all the purpose of engaging

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1 Datamatics, those type of communications are absolutely  
2 crucial.

3 Pearson's position is when we published these books,  
4 we thought we had a license, we thought everything was fine.  
5 We don't think that that's true as we made clear in our letter.

6 What happened is they published these books. We,  
7 Nelson & McCulloch, brought issues to Pearson's in-house  
8 counsel's attention and attempted to negotiate a settlement.  
9 The settlement talks fell apart.

10 That same summer Pearson Education, Inc. undertook a  
11 massive audit of its curriculum at Pearson Education  
12 curriculum. That audit uncovered massive late permissioning  
13 problems, unpermissioned images. Then they engaged Datamatics  
14 at that exact same time, August 2009, to do a cleanup effort.

15 Mr. Psihoyos got swept up in that effort. License  
16 requests went out to Getty Images. And he wasn't at Getty  
17 Images anymore. So it got funneled to Science Faction.

18 All of the audit materials, how they learned that  
19 these images were in these books without a license, all of  
20 those background documents, the status memos with Datamatics;  
21 all crucial, all go to the heart of this matter. So we don't  
22 agree it should be limited to invoices, it should be limited  
23 just to the communications with Getty and Science Faction.

24 I'll also point out some of these images were not  
25 originally at Getty. They were at Matrix. Matrix was

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1 Mr. Psihoyos' original agent. When Matrix folded, then  
2 Mr. Psihoyos went to Science Faction.

3 This is the centerpiece of the other case.  
4 Mr. Psihoyos has dozens of direct licenses to Pearson, dozens  
5 of licenses through Matrix. And the -- then when Matrix folded  
6 and he moved to Science Faction, this same type of problem  
7 occurred. And that's what's at issue in the Psihoyos two case.  
8 That Pearson just kept reusing images even though they couldn't  
9 find him, his prior agent. And years later they figured out  
10 his imagines had moved. And then they contacted Science  
11 Faction and it was years later.

12 That all is going to be relevant as well. The course  
13 of dealing with Mr. Psihoyos through direct licensing, and the  
14 same with his other agents, Matrix; and he was at National  
15 Geographic prior to Matrix, are all going to be relevant here  
16 because the notion that they did this because of some meeting  
17 of the minds with Getty, we can rebut that by saying you did it  
18 with National Geographic, and you did it with Matrix, and you  
19 had no meeting of the minds there, and this is just a pattern  
20 and practice of misconduct.

21 So we would disagree that it should be limited to  
22 invoices and certainly there shouldn't be a sampling of Science  
23 Faction.

24 THE COURT: Is all of that information related to  
25 Datamatics, is that all being produced in the Wu case?

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1 MR. McCULLOCH: Pearson has produced about 800 --  
2 excuse me, that's the audit which we'll get into in a second.

3 There is a dispute in that case about what documents  
4 are going to be produced. Pearson has -- we've worked out, I  
5 think, an agreement where Pearson has agreed to produce  
6 communications from Datamatics back to Pearson, and Pearson's  
7 internal communications about the Datamatics project, it's  
8 engagement letter, status memos, etc. So there is a set of  
9 documents that's going to be produced in the Wu action and we  
10 would just say produce those all here as well.

11 THE COURT: Is that being handled by the magistrate  
12 judge?

13 MR. McCULLOCH: Magistrate Judge Francis in Wu 1.  
14 Judge Francis is no longer overseeing discovery in Wu 2. Judge  
15 Forrest has taken that on herself. And this same dispute has  
16 arisen in the Wu 2 case.

17 THE COURT: Are these both class actions?

18 MR. McCULLOCH: One is a certified class. One is a  
19 pending class. And we'll be moving for class certification  
20 this summer right after the Scholastic action.

21 THE COURT: Those are with the same counsel on both  
22 sides?

23 MR. McCULLOCH: Yes.

24 MR. NELSON: No. Scholastic has different counsel in  
25 that case.



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1 MR. McCULLOCH: Wu 1 and Wu 2 have Morgan Lewis as  
2 counsel. I do believe -- you can correct me if I'm wrong, that  
3 there's a different set of -- certain names are different in  
4 the case but the same litigation team generally.

5 THE COURT: Okay. I mean I have to say generally I --  
6 as I said, I agree with plaintiffs that the -- with respect to  
7 generally with respect to asserting this defense of course of  
8 conduct you are going to have to produce a large set of  
9 documents.

10 Certainly any invoices -- well there's a couple of  
11 concentric circles. The first and most obvious set that will  
12 be need to be produced is those documents relating to, whether  
13 it's Science Faction or Getty or Pearson directly, any  
14 documents relating to the plaintiffs, any of the plaintiffs'  
15 images; those in this case as well as any other plaintiffs'  
16 images. Because those are going to be the most probative as to  
17 a course of conduct because it would be Science Faction or  
18 Getty insofar as they are clearly acting as the agent of  
19 Mr. Psihoyos or Mr. Reed.

20 The second set would be other communications relating  
21 to -- between Pearson and either Science Faction or Getty where  
22 they might be representing other individual photographers or  
23 copyright owners, but the course of conduct when dealing with  
24 Science Faction or Getty is the same. And whatever the agency  
25 theory is, they're essentially giving defendants -- or in

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1 theory you may be giving defendants the same reason to believe  
2 that they have an implied license or don't have an implied  
3 license. So that sort of thing would also need to be produced;  
4 that is, invoices between Pearson and others represented by  
5 Getty and Science Faction. And any attendant related  
6 communications that either discuss or reveal evidence of  
7 retroactive permissioning, retroactive invoicing, or  
8 prospective invoicing or permissioning, that is going either  
9 way.

10 I agree that all the Science Faction invoices will  
11 need to be produced and any related communications that provide  
12 any evidence of timing on these issues.

13 As to Getty, because it's a longer period of time, the  
14 most relevant; that is, those related to any of plaintiffs'  
15 images, I think all of those invoices or communications will  
16 need to be produced. And the parties can try to work out an  
17 agreement on whether some sampling as to a larger group, when  
18 you have identified the relevant period of time -- I'd ask you  
19 to try to meet and confer and reach some agreement as to whether  
20 there's some kind of agreed-upon sampling period of time that  
21 would be perhaps -- perhaps it's a week at various different  
22 times or a month at various different years, if you could try  
23 to meet and confer and reach an agreement on that, I think that  
24 would be best.

25 Is there any other specific -- I've given you general

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1 guidance that I'm hoping you can go back and work with.

2 Is there anything else that I need to address?

3 MR. McCULLOCH: Yes, your Honor. I mean you've laid  
4 out I think four categories that are the central components of  
5 discovery going forward.

6 But just to be clear we've asked for -- and I've made  
7 that clear today -- the discovery related to Pearson -- the  
8 relationship between Pearson U.K. and Pearson Education, Inc.  
9 That, I think, relates to how they obtained the images. If  
10 they obtained them from Pearson U.K., we would need to know  
11 that relationship, how images are shared, if there's a shared  
12 server, were they e-mailed, etc. So, that's one.

13 The other category is the Datamatics documents. If we  
14 just agree to produce them from the Wu action here, that seems  
15 appropriate to me.

16 The third category that we would request are the --  
17 what we've identified in our letter to your Honor as the  
18 punitive fee settlement agreement discussions. There are a  
19 number of Getty Images, vendors and direct contributors, who  
20 have brought claims against Pearson. Even though they have  
21 images -- same circumstance, have images, have Getty Images,  
22 and they are pursuing their individual copyright claims. And I  
23 can laundry-list them for you, if you want. But Science  
24 Faction is a perfect example. Science Faction's entire  
25 collection is at Getty Images. And Science Faction is pursuing

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1 independent claims in the Psihoyos v. Pearson 2 matter.

2 That is relevant because the notion that there was a  
3 meeting of the minds to do this is dispelled by the fact that  
4 Pearson is engaging and settling claims with other Getty Images  
5 contributors for the exact same conduct, in fact, conduct --  
6 some of them involving agents where Mr. Psihoyos has had images  
7 in the past. So we would ask that those types of  
8 communications be disclosed and that those agreements be  
9 produced in discovery.

10 The other cases that we've had, Wu 1 and Wu 2, this  
11 has come up. Mr. Church has agreed that there would be some --  
12 the latest letter to Judge Francis, that they would agree to  
13 produce what we would call the punitive fee category where  
14 there is no formal settlement agreement with a photographer or  
15 a direct contributor represented by counsel. The contributor  
16 finds out that this occurred, late permissioning. They say I'm  
17 not going to give you a license unless you pay a ten times  
18 multiplier. Pearson says fine, pays the multiplier.

19 There's, as we submitted to your Honor, entire  
20 spreadsheets of Pearson tracking these type of punitive fee  
21 retroactive licenses. Those are relevant here and dispel this  
22 type of notion that there has been this meeting of the minds  
23 between the vendors whose images happen to be at Getty Images.  
24 Then there's -- Pearson has agreed to produce those in Wu 1.  
25 We would ask that they be produced here as well.

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1           The disputed category are where there are formal  
2       settlement agreements for these types of claims. Those -- we  
3       also believe -- I don't see any relevant distinction between if  
4       you pay a punitive fee and you get a retroactive license for a  
5       vendor but they're not represented by counsel, as opposed to  
6       they're represented by counsel and you pay some significant fee  
7       and you settle the claims. Those are all relevant to show the  
8       course of conduct/implied license -- not only the course of  
9       conduct/implied license, but, your Honor, they are absolutely  
10      central to our willfulness claim.

11           And we've asked for them. We've repeatedly asked for  
12      them. We've done an entire set of briefing to Judge Francis  
13      and the issue is currently before him and he'll be handing down  
14      his decision hopefully any day now on the formal settlement  
15      agreements that should be produced. We would ask your Honor to  
16      consider those categories. The Pearson U.K., Datamatics, the  
17      audit materials, which are on a shared server. They can be  
18      produced quickly and they are going to be produced in Wu 1.  
19      And then the punitive fee settlement category, those additional  
20      categories.

21           MR. NELSON: Can I add one issue to that, your Honor?

22           I'm concerned that we can miss the forest for the  
23      trees here as well. Both Mr. McCulloch and Mr. Church have  
24      talked about a lot of practices with respect to particular  
25      licenses. But in the industry generally, almost all of these

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1 documents have restrictive language, and your Honor quoted some  
2 of that in your opinion in this case, that say you can't do  
3 this. And Pearson's answer is essentially, for various  
4 reasons, various of those agreements may not apply to these  
5 particular images.

6 If there are high level communications between Pearson  
7 and Getty Images, for example, about the bulk upload program,  
8 about its preferred vendor agreement, about retroactive  
9 licensing, those would obviously bear directly on the defense.  
10 If Getty has sent an e-mail to Pearson saying you can't do  
11 that, you can't use our images, or if Pearson has sent an  
12 e-mail to Getty saying we get really busy sometimes making  
13 books and sometimes we don't get a chance to come to you for  
14 permission before we publish the books, is that all right with  
15 you? And they say don't worry about it, that's extremely  
16 relevant to the defense involved here. And I don't want to get  
17 to such a detailed level of particular licenses that we miss  
18 the communications between the CEO of Getty and the CEO of  
19 Pearson saying: Sorry, but our entire industry is based on you  
20 telling us and asking us for permission prior to publishing  
21 rights managed licensing so don't do that. We'd like those  
22 documents as well.

23 THE COURT: Well I think that's fair. I mean I think  
24 if there are communications that go to, at a macro level, the  
25 defense of the course of conduct, either supporting it or

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1 negating it, or shedding light on it, I think that would be  
2 relevant.

3 MR. NELSON: Or the absence of such documents, your  
4 Honor, because that would tend to illustrate that this was made  
5 up for litigation, that there was some understanding -- there  
6 was no discussion about it and there was an admonition in every  
7 license ever that you can't do it.

8 THE COURT: Okay.

9 Mr. Church.

10 MR. CHURCH: I mean as to the last point, I guess  
11 generally, you know, Pearson is in agreement with your Honor  
12 and with plaintiffs' counsel that we need to do some additional  
13 discovery.

14 Our concern is that this could easily turn into a  
15 several million dollar, you know, e-discovery bill, which is  
16 not reasonable, is not warranted for this case, which is about  
17 four images. We've already done a year of discovery. So our  
18 concern is we have to find something that reasonable. And  
19 frankly that's what the rules entitle -- entitle Pearson to do.

20 So when I hear Mr. Nelson talk about how these  
21 communications between people at Pearson and Getty are  
22 relevant, you know, frankly, I think that's fine. But I don't  
23 know how we can get at those communications -- you know, he  
24 talks about absence of discussion about limitations on these  
25 licenses or retroactive licenses. I don't know how we can get

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1 those in a reasonable way through e-discovery. And so that's  
2 our primary concern with this whole process is you can easily  
3 run up a really onerous bill for discovery in a case about four  
4 images, about four books.

5 So we want to work with the plaintiffs and we want  
6 to -- we agree with your Honor's decision that we need to do  
7 some more, but we need to do it in a way that's reasonable and  
8 that enables the parties to get through this discovery and have  
9 a decision, you know, on the merits of the defenses.

10 THE COURT: Well, I understand.

11 Electronic discovery can be expensive. If you can --  
12 but if you can find a way to do a smart searching you should be  
13 able to do it. There's also the possibility of if you know  
14 something is going to be extremely costly, you could look at  
15 the new -- not new anymore but the federal rule on e-discovery  
16 and ESI and propose some sort of cost sharing arrangement, cost  
17 shifting or something like that, if it's going to be extremely  
18 onerous.

19 But at the end of the day, your client has asserted a  
20 course of conduct defense which requires, by its nature, a kind  
21 of fairly broad examination into the parties' dealings and  
22 communications which necessarily is going to entail looking at  
23 a bunch of electronic documents.

24 MR. CHURCH: Certainly.

25 To address some of the specific issues that they've



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1 asked about, Pearson U.K. -- you know Pearson, what we can do  
2 is we'll go ahead and search for all documents relating to  
3 these express licenses. We'll produce that.

4 If plaintiff has some specific questions about the  
5 relationship between permissioning at Pearson Education, Inc.  
6 and Pearson U.K., I think the appropriate kind of vehicle for  
7 that would probably be some interrogatories that we could  
8 respond to and address this -- their thought that there may be  
9 some sharing. My impression is that there would not be any  
10 sharing of images between these two separate companies that do  
11 their own permissioning.

12 THE COURT: But I thought that you were agreeing that  
13 there was as to this one image, no?

14 MR. CHURCH: No. I don't believe there was -- I mean  
15 I think it helps to step back. The royalty statements that the  
16 plaintiffs produced do not indicate that Pearson U.K. is at  
17 issue. What they say is that the images were licensed in --  
18 there's a shorthand GBR, which we think means Great Britain.  
19 The suggestion that plaintiffs have made, and they've said they  
20 actually have some reason to believe this, although they  
21 haven't told us why, they think that that means Pearson U.K. is  
22 the entity that licensed the image. So that's the only reason  
23 that Pearson U.K. has come up and they think Pearson U.K. might  
24 be relevant.

25 I think what can he do is do discovery with respect to

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1 any express licenses for these images within Pearson Education,  
2 Inc. If they have some specific questions about the  
3 relationship between PEI and Pearson U.K. I think we could  
4 respond to some interrogatories on those issues, see where that  
5 takes us.

6 THE COURT: I think you should respond to  
7 interrogatories. I also think you need to search for any  
8 communications or documents between Pearson and Pearson U.K.  
9 about the images at issue, if they exist.

10 MR. CHURCH: Certainly. I think that -- and I had  
11 envisioned that that would be included in the search that I was  
12 discussing.

13 As to Datamatics, I don't think we have an objection  
14 to producing documents that we're working on for the class  
15 action in this case.

16 I would note that the plaintiffs already have  
17 extensive information about Datamatics. They took a deposition  
18 in which the primary person who supervised Datamatics testified  
19 extensively about their role and what they've done.

20 And plaintiffs have kind of a conspiracy theory about  
21 why Datamatics was involved and what they did. That's frankly,  
22 false, I think. But, you know, we can produce those documents  
23 from the Wu case and hopefully that will clear up their  
24 concerns about that issue.

25 THE COURT: Yes.

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1           As to the Datamatics documents, and also the sort of  
2           settlement documents, I'd like provisionally to go forward with  
3           whatever protocols have been established in the Wu case so that  
4           what Judge Francis decides with respect to settlements with  
5           respect to Datamatics, or has decided, or Judge Forrest, I  
6           would like that to be sort of presumptively how you -- the  
7           approach you take here.

8           MR. CHURCH: If I could on the settlement issue, your  
9           Honor.

10          Wu is a class action. So there's an argument there  
11          that settlements with other agencies and other photographers  
12          are relevant in that case.

13          Here we have a case where the course of dealing is,  
14          according to plaintiffs, between Pearson and Louis -- and Louis  
15          Psihoyos and Mr. Reed's agent Science Faction and Getty.

16          So I would respectfully submit that it would not be  
17          appropriate to require Pearson to produce punitive fee  
18          discussions with other agencies and other photographers in this  
19          case where the course of dealing here is Science Faction and  
20          Getty.

21          We have identified some discussions with Getty about  
22          punitive fees. We've already produced those. We produced  
23          those back before the case was assigned to your Honor. If  
24          there are any additional discussions between Pearson and Getty  
25          about punitive fees, we'll produce those.

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1           As to formal settlements, there are no formal  
2 settlements between Pearson and Science Faction, between  
3 Pearson and Getty, and so I think that issue is frankly off the  
4 table.

5           THE COURT: Okay.

6           Do you want to address that?

7           MR. McCULLOCH: Absolutely.

8           Mr. Church's point is that they have produced whatever  
9 documents that they have about punitive fees being paid or  
10 settlements with Getty Images, and there just aren't any. The  
11 reason there aren't any is Getty Images doesn't own copyright  
12 to any of the underlying images. That's precisely why this  
13 scenario arises, where images obtained through Getty Images  
14 where there's a license violation the copyright owner brings  
15 the claim.

16           The point is that there are settlement and punitive  
17 fees being paid to the copyright owners whose images are also  
18 at Getty Images, the exact same scenario.

19           If your Honor is saying you need to produce invoices  
20 and communications that don't involve plaintiffs' images  
21 because those invoices and communications bear on the course of  
22 dealing, certainly where somebody says I'm not going to give  
23 you a license, I'm going to charge you a punitive fee or I'm  
24 going to get a lawyer and I'm going to sue you and you settle,  
25 is just as probative as those instances where an invoice was

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1 granted or a party was duped and had no idea what was going on.

2 I will give a perfect example. We represent a  
3 photographer who has his images at Getty. His images were  
4 included in a book called China Science Explorer. Pearson  
5 failed to clear the permissions for the Chinese language  
6 version of Science Explorer. Years later, nine years later,  
7 they went to clean it up and they wrote all the vendors a very  
8 apologetic letter saying sorry, we forgot, we'd like to get an  
9 invoice now.

10 Some of those vendors, just like here, were no longer  
11 at Getty Images and Getty referred them to individual  
12 photographers. Individual photographers were livid and said  
13 we're never going to give you a license for three hundred bucks  
14 for a book that you published nine years ago. That's copyright  
15 infringement. And Pearson started tracking entire spreadsheets  
16 of punitive fees they were paying for those programs.

17 The communications that we're privy to -- there's only  
18 a very small selection because we only represent a few  
19 photographers who have images in those books -- are replete  
20 with instances where Pearson said: We are absolutely sorry.  
21 We do not do business this way. We understand that failing to  
22 get permission at the time was a mistake.

23 Those are photographers in the exact same boat as  
24 Mr. Psihoyos. They had images at Getty Images. Those images  
25 left. Getty Images ostensibly --

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1 THE COURT: But if there were a jury trial -- we're  
2 before a jury, we're talking about the four images at issue  
3 here. Wouldn't all that be prejudicial, all that stuff, under  
4 403? Why would I let in all this information about all these  
5 other settlements where they goofed, where they said: Oops I  
6 have to pay these settlements.

7 You're going to say willfulness, right?

8 MR. McCULLOCH: They go to dispelling the notion that  
9 there was a meeting of the minds with Getty that you could use  
10 images whenever you wanted and just call Getty Images up later  
11 and it was fine. Not, as your Honor pointed out in your order,  
12 the question isn't going to just end at Getty Images because  
13 Getty had acknowledged it didn't represent these photos and  
14 couldn't give the licenses.

15 So the question is now about apparent authority and  
16 agency and how you deal with those instances where images have  
17 moved. These are the only substantially similar circumstances.

18 In addition, it goes to willfulness. And courts have  
19 allowed in settlement documents prior bad acts, instances in  
20 which a party has agreed to punitive fees because it bears on  
21 knowledge and the inference of constructive knowledge. And  
22 I'll go one better for you. The question of how much Getty --  
23 how much Pearson paid for retroactive late licenses goes  
24 directly to the damages question for lost license fees.

25 Now the reason is how much you pay for a prospective

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1 license is a certain data point on a scale. How much you pay  
2 for a retroactive license point is a different data point on  
3 the same scale. Copyright cases haven't dealt with this very  
4 extensively because this type of stuff just doesn't happen.  
5 They don't grant retroactive licenses for rights managed  
6 photography. But they do in the patent context. And those  
7 cases make absolutely clear that settlements and punitive fees  
8 paid for retroactive uses in the patent context establish the  
9 baseline for lost license fees -- lost royalties in that  
10 context, here lost license fees. That case law is absolutely  
11 clear across all jurisdictions, especially here in the Southern  
12 District, that prior bad acts, prior settlements, punitive fees  
13 paid establishes a data point for determining how a damages  
14 expert would calculate lost license fees.

15 So not only does it go to dispel the defenses. It  
16 goes to the question of willfulness. And even if we don't have  
17 statutory damages, it will go to the question of actual  
18 damages, the lost license fee, because how much Getty -- or how  
19 much Pearson is paying in the context of retroactive licenses  
20 is going to be a data point that our experts are going to  
21 testify to.

22 THE COURT: And you're producing the information in  
23 the Wu case; is that right, Mr. Church?

24 MR. CHURCH: We are -- we are -- we have agreed to  
25 produce -- not formal settlements. That's an issue that --

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1 THE COURT: Right.

2 MR. CHURCH: -- Judge Francis is taking up. We have  
3 agreed to produce some invoices or invoices that we've  
4 identified, communications that we've identified about these  
5 punitive fees.

6 THE COURT: Well whatever you produce in that case I'm  
7 going to let you produce in this case. That doesn't decide  
8 whether it's going to be admissible in this case.

9 I have to -- there's going to be another matter in  
10 this courtroom with another judge at 4:00 so I'm going to have  
11 to wrap up.

12 I think -- I think at least in general terms you need  
13 to go back and do a fair amount more discovery.

14 How much time do you think you need? Is three months  
15 enough?

16 MR. CHURCH: Your Honor, frankly if we're going to do  
17 some additional e-discovery, it might take -- it might take  
18 longer than that. The plaintiffs have also indicated they'd  
19 like to take some third party depositions. That will take some  
20 time.

21 MR. McCULLOCH: I'll note, your Honor, we've asked  
22 Pearson about this. And I think it's referenced in a footnote  
23 in their submission. Assuming that certain materials are not  
24 available to Pearson Education, Inc. we may need to conduct  
25 third party discovery on Pearson U.K. which would require



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1 service of a subpoena through the Hague Convention. That's  
2 just a burdensome, time-consuming process. And we referred  
3 that -- we asked about that, whether or not they do share  
4 materials and are going to be able to produce it without third  
5 party subpoenas. Mr. Church said they're not sure. So we  
6 would just request that the time period for discovery take into  
7 account not just the e-discovery that's going to be required  
8 but also third party discovery of Getty Images and the  
9 possibility of third party discovery of Pearson Education --  
10 Pearson U.K.

11 THE COURT: Okay. Why don't we schedule a follow-up  
12 conference in early August -- either late July or early August.  
13 But I think we just scheduled a trial in late July.

14 We can either do July 31, August 1, August 2.

15 Are you all going to be around?

16 MR. McCULLOCH: I get married on August 18. So the  
17 sooner the better for me.

18 THE COURT: Congratulations.

19 MR. McCULLOCH: I have some commitments beginning  
20 August 10. So July 31 or August 1 are preferable to me, and  
21 further in August is not.

22 MR. NELSON: My law partner is getting married in  
23 August, so I'm --

24 THE COURT: Mr. Church.

25 MR. CHURCH: Off the top of my head, those sound fine.

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1 My BlackBerry, of course, was confiscated.

2 THE COURT: Right. August 1. 2:00 p.m.

3 MR. McCULLOCH: Perfect.

4 MR. CHURCH: Thank you, your Honor.

5 THE COURT: Thank you.

6 MR. NELSON: Thank you, your Honor.

7 THE COURT: See you then.

8 (Adjourned)